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C O N F I D E N T I A L ANKARA 005334

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TAGS: [ENRG](#) [EPET](#) [PREL](#) [TU](#) [GR](#) [AZ](#) [IR](#)
SUBJECT: TURKEY AND SOUTHERN GAS CORRIDOR - TAKING THE
FIRST STEP

REF: A. ANKARA 5332

[1](#)B. ANKARA 4935
[1](#)C. ANKARA 4728

Classified By: ECONOMIC COUNSELOR THOMAS GOLDBERGER FOR REASONS 1.5 (B
AND D)

[1](#)1. (C) Summary: In a September 7 meeting, Energy Under
Secretary Sami Demirbilek told us he understood the urgency

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of moving forward on a series of meetings between partners on
the southern gas corridor. However, Turkey has not arranged
a bilateral meeting with Azerbaijan to determine transit
terms, as was the next action identified in his August
meeting with S/P energy adviser Steve Hellman (ref C).
Demirbilek explained that agreeing on commercial terms in
such a bilateral meeting would be to act on partial
information when the plans and commercial interests of other
parties, including end users and companies, were unknown.
Therefore, such an agreement on transit could only come out,
he thought, of a multi-party setting in which Turkey had
access to what he thought was all the relevant information,
including the price paid by end users to Azerbaijan.

[1](#)2. (C) Demirbilek also allowed that he is increasingly
comfortable with Turkey's gas supply outlook for the coming
winter and that, per Prime Minister Erodogan's commitments to
President Saakashvili at the BTC events in July, Turkey is
willing to devote its SCP portion for this winter to Georgia,
with the commercial details to be worked out bilaterally
between Georgia and Azerbaijan. The U/S also insisted that
contrary to press reports, no deal had been reached with Iran
during energy minister Hamaneh's August visit on Iranian gas
transit to Europe. He explained that Turkey's objective to
slow down such a deal was a key reason behind Turkey's desire
to be a trading, rather than passive, partner in gas transit.
End Summary.

No Action yet on Azerbaijan Meeting

[1](#)3. (C) Demirbilek told us the Minister would decide and take

action on a Turkey-Azerbaijan meeting ("It is not in my hands.") He emphasized that the Minister knew the need to take quick action. Demirbilek argued that there should be a multilateral meeting for all parties to lay out their plans and commercial interests, before Turkey "spills out its numbers" for transit. We pointed out that there remained bilateral issues that Turkey and Azerbaijan needed to address and that a bilateral process and multi-party process could be mutually supportive. Demirbilek said that Turkey should have a commercial interest in gas traded through its territory -- such as through participation in a company that would market the gas. The interest was as much in having access to commercial information as much as in having a share of the revenues.

Georgia - We are Ready to Help

¶4. (C) Demirbilek said that the Prime Minister had stated clearly that Turkey would support giving its SCP gas to Georgia for this winter (but this winter only). Demirbilek said that it was for Georgia and Azerbaijan to work out bilaterally the commercial aspects of this arrangement, but emphasized that there would be no penalties to Turkey. He insisted that the SCP connecting spur to the Turkish grid at Erzurum would be complete by the end of October, per BOTAS's contractual obligation, and expected 700 MCM of natural gas to potentially flow in 2006 and 6 BCM in 2007. Demirbilek said that overall Turkey was comfortable with its gas supply for this winter, and not expecting problems from Russia/Ukraine. He pointed out that both Azerbaijan and Georgia were under pressure from Russia on gas, and that Turkey and others were waiting to see what happens.

Obsession with Iran

¶5. (C) Demirbilek stated emphatically that there was no agreement with Iran on gas during the recent meetings in Ankara (in conflict with press statements in Teheran). He said Iran had not agreed to Turkey's key points that Iran provide transit of Turkmen gas to Turkey and that Iran work with Nabucco as a consortium. Demirbilek expected more meetings without agreement in Teheran and then back in Ankara, but nothing was scheduled. He said there was no time pressure and that the Europeans were "not speaking loudly" on Iran. While the source for Nabucco was still up in the air, Turkey is urging the Austrians to form a joint stock company to trade and market Nabucco gas. This would both prevent bilateral deals and give Turkey access to information about Iranian prices that it could use in its own negotiations (and arbitration) with Iran.

What about Turkmenistan?

¶6. (C) Demirbilek expressed support for a TCP from Turkmenistan, noting that gaining transit rights through Iran might push Niyazov. We reminded him that TDA was working on a TCP pre-feasibility for Kazakhstan and Turkmenistan (as well as the visit program to Henry Hub to show off a good energy hub). Demirbilek was supportive of both TDA projects, and said that Turkey could provide representatives from BOTAS and TPAO to a TCP working group to help with the pre-feasibility study. The U/S also expressed interest in developing gas from northern Iraq with egress to and potential processing at Ceyhan.

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